

## MICROSOFT LICENSING PROPOSAL

### SUMMARY

The Department of Information Services (DIS) has previously negotiated Microsoft (MS) license pricing based on 120,000 seats. Microsoft proposes new pricing which includes upgrades for all agencies to a standard software suite. This proposal includes a statewide increase of \$5M over 6 years. However, Microsoft will defer payments for the first 3 years. This proposal also provides a retroactive price lock which will save the state \$2M, and includes additional benefits worth a total of \$8M over 6 years.

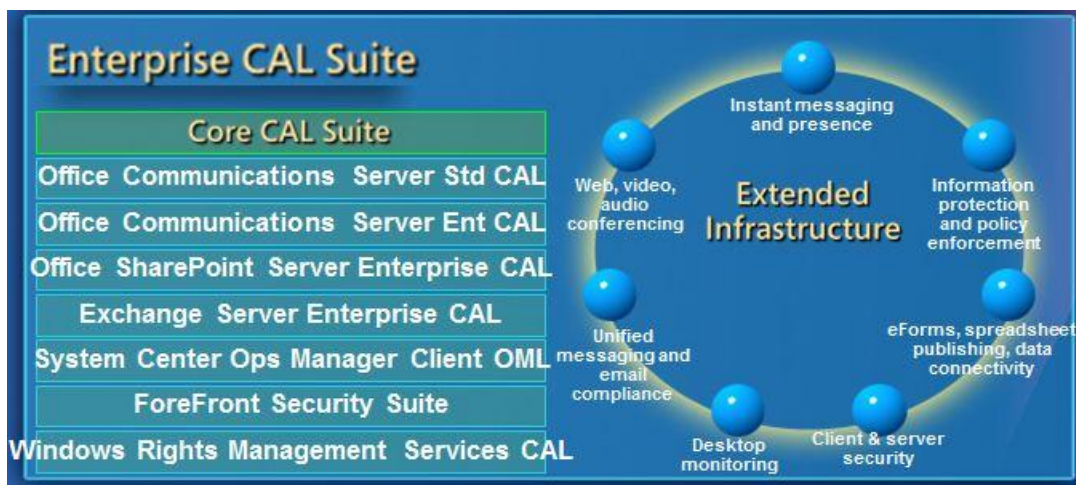
### BACKGROUND

Microsoft has two significant types of licensing models considered Enterprise Agreements (EA):

- Core Platform EA. Provides current and new versions of MS Office Pro Suite and Windows 7 desktop operating system w/ hard drive encryption, desktop access to network file and print services, Exchange email systems, SharePoint Portal, and licenses to manage the desktop software and hardware via System Center Configuration Manager.



- Enterprise Platform EA. Includes the Core Platform EA, and adds technologies for voice mail, instant messaging, web conferencing, information rights management, enterprise search, anti-virus and spam filtering, eForms, enterprise search, and business intelligence.



## DISCUSSION

The current MS contract creates the need to manage multiple agreements at the agency level. This causes three major challenges:

- **No single point of management** – a single agreement will reduce administration
- **License deployment restrictions** –unused licenses cannot be transferred between agencies
- **Unable to support Shared Services Initiative** –The State's Shared Services initiative has identified deployment of technologies that are in the Enterprise Platform agreement. Agencies without the Enterprise Platform suite will not own the licenses to participate in such statewide shared service offerings.

Currently, each agency independently enters into an Enterprise Agreement with Microsoft based on the DIS negotiated terms. There are 29 active Enterprise Agreements across Washington state agencies. The agencies entering into an EA agreement choose either a Core Platform or an Enterprise Platform suite of technologies.

## THE PROPOSED MICROSOFT SOLUTION

Microsoft proposes that the State adopt a single EA for all agencies. This will help further the shared services initiative and improve operational efficiencies.

Important elements when considering this proposal include:

1. If we do nothing, the state will see a \$2M statewide price increase across 6 years (effective April 2010).
2. Upgrading the state to the Enterprise Platform EA, will incur a statewide increase of \$5M across 6 years. Standardization will help facilitate the Shared Services initiative. This will require some additional costs for implementation, but will eventually deliver long-term savings.
3. Microsoft will provide six year financing to defer payments in the first 3 years
  - FY11-13 statewide payments decrease by a total of \$6M across 3 years due to deferral
  - FY14-16 statewide payments increase by a total of \$11M across 3 years
4. Incentives include:
  - Retroactive price lock starting April 2010, worth \$2.0M.
  - 30,000 seats in hosted services (SharePoint, Instant Messaging, Presence, Live Meeting) worth \$3.6M
  - 30,000 seats of virtual desktop (VDI) software for 6 years, worth \$1.4M.
  - \$1M credit to be applied to payments
5. Agencies already on an Enterprise Platform EA will not see a net increase in cost.
6. Agencies on Core Platform EA will pay an increase to upgrade to Enterprise Platform EA
  - Agencies can offset cost by avoiding duplicate technology purchases.

<b>Agencies with a Core Platform EA currently allocated</b>	<b>eCAL</b>
Department of Retirement Systems	✓
Department of Information Services	✓
Office of the Attorney General	✓
Department of Agriculture	
Department of Health	
Office of Financial Management	
Department of Veterans' Affairs	
Department of Natural Resources	
Department of Transportation	
Department of Financial Institutions	
Washington State Historical Society	
Washington State Bar Association	
Department of Ecology	✓
Department of Social and Health Services	
Legislative Service Center	✓
State Auditor's Office	✓
Criminal Justice Training Commission	
Parks and Recreation	
Office of the Secretary of State	
Department of Labor and Industries	
Washington State Patrol	
Liquor Control Board	
Health Care Authority	✓
Department of Corrections	
Department of General Administration	
Department of Revenue	
Utilities and Transportation Commission	
Department of Commerce (Formerly Community, Trade and Economic Development)	✓
Department of Employment Security	✓